

CASHEW PRODUCTION, PROCESSING AND COMMERCIALISATION IN KAMPONG THOM AND PREAH VIHEAR - FIELD ASSESSMENT REPORT

Cambodian Institute for Research and Rural Development (CIRD);
Cambodia Partnership for Sustainable Agriculture (CPSA);

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Southeast Asia*

Cashew production, processing and commercialisation in Kampong Thom and Preah Vihear provinces Field Assessment Report



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Introduction and objectives of the study

This study was conducted by Cambodian Institute for Research and Rural Development (CIRD) at the request of and funded by Grow Asia's CPSA. The study report was submitted to Cashew Working Group (CWG), which will be used as inputs for "Cambodian cashew nut value chain assessment report" produced by HEKS Cambodia with assistance from members of CWG. This assessment aims at gathering and compiling information on the Cambodian cashew value chain to inform recommendations to the development of a cashew nut policy by the Ministry of Commerce.

The main purpose of this study is to collect and analyse all relevant information/data on the value chains of cashew produced by farmers in Preh Vihear and Kampong Thom provinces in order to have a better understanding on cashew market systems in the two target provinces. The results of this study will be used as a contribution to cashew sector analyse that will be made for developing a policy on Cambodia Cashew Sector. The specific objectives of this study are:

- To understand and analyse the general functioning of cashew production and market in the two provinces
- To understand the current position, roles, relationship and know-how of different actors in cashew value chain
- Identify systemic opportunities and constraints and analyse the enabling environment in the cashew value chain.

1. Stakeholder profile and analysis

1.1). Key stakeholders of Cambodia cashew sector

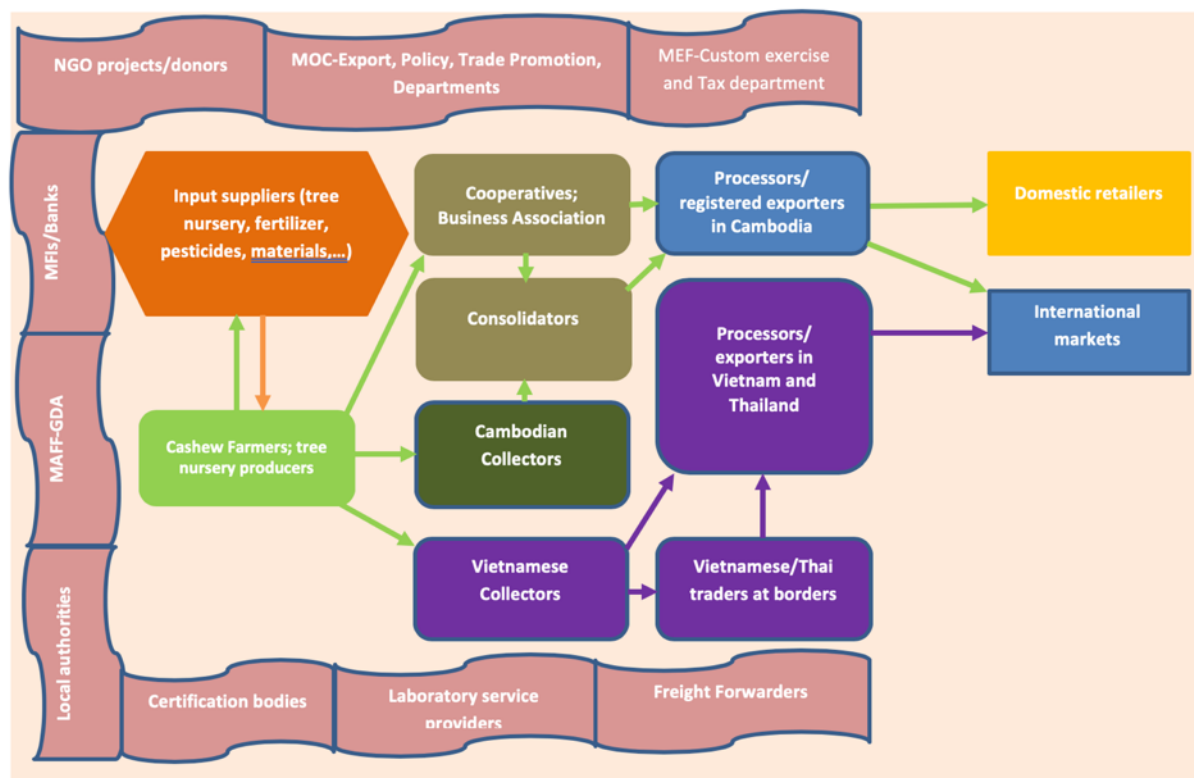
The key stakeholders of Cambodia cashew sector can be categorized into the following main types:

- Suppliers of inputs, materials and equipment
- Farmers/cashew producers
- Agricultural Cooperatives and Business Associations of cashew farmers;
- Cashew collectors
- Cashew consolidators/traders
- Processors
- End consumers
- Exporters
- Development agencies (development partners/donors and NGOs)
- Relevant government agencies (MAFF: GDA, particularly cashew working group; MoC: particularly inter-ministerial working group for cashew policy development)
- Other service providers (microfinance, bank, laboratories, certification bodies, freight forwarders).

The detail contact lists of key stakeholders (met during the study) by each of the different stakeholders types/categories mentioned above are presented in [annex 1](#).

The stakeholders sketch diagram below provides an overview of the various categories of cashew sector stakeholders and their relationships.

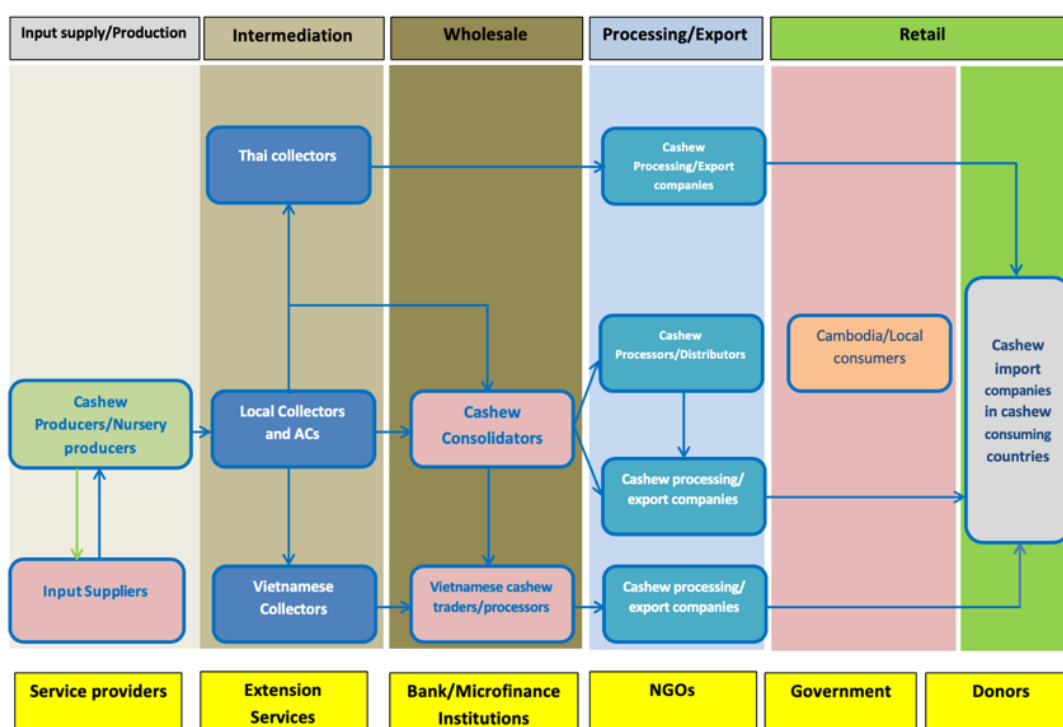
Cashew stakeholder sketch diagram



1.2). Value chain sketch diagram and analysis the dynamic relations of main stakeholders

The definition and current situation of each category of the cashew key stakeholders and analysis the dynamic of their relationships are the following:

Cashew Value Chain Diagram



1.2.1). Suppliers of inputs, materials and equipment

Input suppliers refer to companies and shop who distribute and sell fertilizers, pesticide, herbicide, fungicide, cashew seedlings, watering and planting materials and equipment to cashew producers. Currently in Cambodia there are several companies import and sell fertilizer, pesticide, herbicide and hormone throughout Cambodia. They also promote these products to cashew farmers. These agricultural inputs, materials and equipment are from different countries of origin, but the majority are imported from Vietnam that is also the world's top cashew production and export.

Input suppliers are regulated by the government agencies who control the import: MAFF, Camcontrol, custom and border authorities.

Amongst cashew stakeholders, the main target market of input suppliers are cashew producers. Inputs are sold to them through input supply shops-retailers located in communal, district, or provincial towns nearby production areas. In Preah Vihear, there are few ACs collaborate with inputs suppliers in distributing inputs to cashew producers. Some input distribution companies are working with ACs on promotion and education about their products as their part of marketing strategies.

1.2.2). Farmers/cashew producers

In Kampong Thom and Preah Vihear, in general farmers started to plant cashew in 2013-2014 during which the government provided land title to farmers who have cleared and used former forest areas. Most of cashew farmers in these two provinces do not only grow cashew but they also grow other cash crops such as pepper, rubber, cassava, beans, and rice on different plots of their farms. Cashew was selected by farmers because this crop adapts well to the newly cleared land, even on sandy soil with low fertility.

The average cashew farm size owned by most farmers, are between 3 to 5 ha per household. However, some farmers have more than 10 ha of cashew farms per household. Based on 2018 statistic on cashew production area in Kampong Thom (58,624 ha) and Preah Vihear (19,709 ha) provided by department of industrial crops of GDA and in considering the average cashew farm size per household are respectively 4ha in Kampong Thom and 3 ha in Preah Vihear; the estimate number of cashew farmers in Kampong is around 15,000 households and in Preah Vihear is around 6,500 households. Some cashew producers produce cashew nurseries for selling to other farmers locally and to input suppliers who then redistribute or supply to a wider cashew producers in different areas.

1.2.3). Agricultural Cooperatives

In Kampong province, currently there are 17 Agricultural Cooperatives (ACs) of cashew producers. These ACs got support from PDA on financial management, bookkeeping and business management skill through province of 1 session/time training per year. World Vision organisation used to support 1 AC (amongst the 17 AC) on warehouse construction, cashew

nuts processing materials and training, but the project ended at the end of 2018. ASPIRE project (a MAFF/IFAD funded project) plans to support 2 AC from 2019.

In Preah Vihear, currently there are 13 Agricultural Cooperatives (ACs) of cashew producers. From this year Preah Vihear provincial department of agriculture forestry and fisheries (PD AFF) provides facilitation support to 8 biggest (in cashew production) ACs in supplying cashew to Santana Agro products Co., Ltd. The 13 ACs have been supported by IVY (International Volunteers of Yamagata) on organic cashew production and market linkage (e.g. with AMRU, Santana, ...).

1.2.4). Cashew nuts collectors

Cashew nuts collectors are based locally in the production villages, they also own cashew farms. During harvest season, they collect cashew nuts from their villages and communes and also from the villages and communes nearby. In general, cashew nuts collectors buy cashew nuts from producers and reselling out to consolidator/traders at daily basis (reselling out on the same day or on the next day of buying). This practice allows cashew nuts collectors to use their own capital, in general they don't need to borrow money from outside because the capital return is fast but sometime and for some collectors, they could get cash advance from consolidators partners. In this last case, often collectors provide cash advance to cashew farmers to secure the supply from them. In general cashew nuts collectors do not invest on warehouse as they don't need to store big volume of cashew for long time before reselling out.

In term of trading capacity, in average, one collector buys and resells around 7-8 MT per day; the average cashew nuts volume commercialized by each collector is about 500 – 550 MT/year. Cashew nuts collectors pay to farmer immediately when they get supply from farmers. Cashew nuts collectors (at village or local level) resell the cashew collected from farmers, to big collectors/consolidators who have warehouse based in cashew production area.

1.2.5). Cashew nuts consolidators/traders

In Kampong and Preah Vihear provinces, the cashew consolidators/traders are mostly the cassava traders. They collect and trade cassava in this area since many years before starting to trade cashew because farmers in this area just started to plant cashew from 2013-2014 and their cashew started give yield with significant amount 2 - 3 years later. In fact, cashew trees were grown in this area long time ago but not in plantation, just few trees at homestead space together with other home garden fruit crops. Cashew harvested area and production in the two provinces, are at top in 2019 compared with the previous years.

Cashew consolidators/traders got cashew nuts supply from local collectors and ACs but sometime also directly from producers as some producers have transportation means and prefer to supply to consolidators directly. Consolidators buy all varieties of cashew nuts available such as local traditional variety, 09 and M23 varieties and others. However, in

Kampong Thom and Preah Vihear, M23 variety is the most grown by most producers. Cleanness of the nut, color and size of nut are the main quality criteria to checked by when consolidators buy cashew nuts.

In term trading capacity, in average each cashew consolidator could collect around 20 – 50 MT per day during the harvest season (about 2 months per year). The average annual trading volume per each consolidator, is around 2,500 – 3,500 MT. To run their business, cashew nuts consolidators gets some loan from bank. When getting the supply of cashew nuts from local collectors and cashew farmers, they pay them immediately. Sometime consolidators provide cash advance to collectors in order to secure the supply. In general, when consolidators supply their cashew nuts to their Vietnamese and Thai clients, they get immediate direct payment from them too. However, sometime buyers in Vietnam and in Thailand pay around one week after they get the supply from Cambodian consolidators.

Cashew consolidators/traders supply the collected cashew nuts to buyers in Vietnam, in general they transport their cashew nuts by 20 MT charged truck. The transportation is done daily basis as soon as they got sufficient amount of supply to charge with one truck. Normally, consolidators do not stock their collected cashew nuts for some days or long time as it is risky. Normally, to transport from warehouse to VN, they need to pay road weight controller (150,000 Riel/control*2 controls = 300,000 Riels); CamControl: 400,000 Riel for 20MT truck and 200,000 Riel for 10 MT truck; and pay 20,000 – 30,000 Riel to each police control post for 2 to 3 control posts along the way.

1.2.6). Cashew nuts processor

In In Kampong and Preah Vihear provinces, there is no processing and grading at farmers' farms level except the two cases of "Sambo Prey Kuk Tourism Community Cashew nuts Processing Center" located at Chey Commune Kampong Svay district, Kampong Thom province and "Santuk Mountain Agricultural Cooperative cashew processing unit" located at Kor Koh commune, Santuk district, Kampong Thom province.

Sambo Prey Kuk Tourism Community Cashew nuts processing center was established in 2013 with support from a project support for "poor people's products market Promotion" implemented by Kampong Thom provincial department of tourism, funded by ADB/JFPR. This project provided to the community a warehouse with unit for cashew nuts storage and unit equipped with cashew nuts shelling facilities. The project also provided a revolving funds to use as start-up capital for running the Shelling Center as community collective business. So far the community has had totally 384 members but amongst them only 34 members are cashew producers who are formed into a cashew producers group. The members of cashew producers group supply cashew the cashew processing center. Before the arrival of JFPR project, cashew producers in this commune used to get training on cashew production technics provided by Sre Khmer organization.

After the end of the project, from 2016 due to lack of capital the community were not able to continue to run the shelling center as community collective business anymore. The management committee of the community decided to rent the center to a private with a price of USD50 per month. From 2016 to date, the shelling center is operated by a private cashew nuts processor. In average, the private processor can process only around 50 MT/year (1 MT could get around 200 - 300 Kg of nuts as final products). With the shelling facility of the center, to process 1 MT of cashew nut, it takes 1 day for peeling and 2 days for cleaning. After processing, they pack and sell to shop at Siem Reap and Phnom Penh and also sell to tourist. For retail selling directly to tourist, the selling price is USD20/Kg, but for gross selling to shop, the price is USD16/Kg,

Santuk Mountain Agricultural Cooperative cashew processing unit was founded in 2011 with support from Kampong Thom-PDA. This cooperative has 125 members with 379 ha of cashew plantation. So far they got support from Harvest II project on cashew production technic (particularly on crop maintenance, tree nursery production) and market linkage. Before the cooperative used to run a collective business by collecting cashew nuts from members and resell/supply to consolidators based in the provincial town. After sometime, they stopped operating this business because it did not allow the cooperative to make enough profit as the operation cost was high. Besides, the cooperative does not have enough capital to strengthen business in collecting significant amount of cashew from members for reselling to consolidators. However, the cooperative still running small business on cashew nuts processing and supplying the final products to markets in Phnom Penh. For this business, with the available capital, the cooperative is able to buy and process only around 2 to 3 MT of cashew nuts. As for each year the cooperative needs to buy only small amount of cashew nuts, its strategy is to buy at the end of harvest season during which cashew nuts price is often lower compared with other period (e.g 2019 farmgate prices: early harvest season Feb-Mar: 6,000 R/Kg; Middle season: Apr-May: 4,500R/Kg; by end of harvest season May-Jun: 3,000 R/Kg). The cooperative plans to scale-up this collective business (cashew nuts processing and supplying the final products to markets in Phnom Penh) as soon as it has more capital.

Aside from the above mentioned two small cashew nuts processing unit at farm level, currently there is one big cashew nuts processing factory based in Preah Vihear. This processing factory is owned by Santana Agro products Co., Ltd.

Santana Agro products' cashew nuts processing factory started to operate in 2018. The processing capacity of this factory is 20,000 MT of cashew nuts per year. The factory process and pack the final product of processed cashew nuts for export to China. Only small amount of cashew nuts processed by this factory, is sold in domestic markets. From this year, Santana Agro products Co., Ltd is planning to expend market to Europe as there are buyers who are interested in getting Cambodian cashew nuts supply from the Santana. Currently Santana has a contract to supply 5,000 MT of cashew nuts per year to European market but in 2019 the

company could supply only 2,000 MT. Compared with China market, so far European market needs smaller amount of cashew nuts and with different quality requirements or different type of cashew nuts. For Santana, it is easier to meet the quality standard required by export market to China than to European market. Based on Santana experience so far, M-23 variety provides best final processed product of Cashew nuts (big size and white color which is required by European market). However, China market also need small size cashew nuts.

To supply the factory, Santana collect cashew nuts from cashew nuts ACs and consolidators/traders who got supply from Preah Vihear, Siem Reap, Kampong Thom and Kampong Cham. For buying price, the company offers 100 R/Kg higher than the current farm gate market price but suppliers need to transport their cashew nuts to the factory. For the current farm gate market price, it is based on the price of cashew nuts in Vietnam. From 2019, Santana collaborates with provincial department of agriculture in building business partnership with 8 ACs in the province: exchange of experiences in cashew production and contract farming. These 8 Acs have the capacity to supply around 3,000 MT/year.

1.2.7). Exporters

Though the majority of Cambodian cashew nuts are for export markets but for formal export of cashew nuts from Cambodia directly to import countries, currently Santana Agro products Co., Ltd is the only one cashew nuts export company. Aside from Santana, the private cashew nuts processor who rent the Sambo Prey Kuk Cashew nuts Shelling Center, could also directly export directly to European market but in a very small amongst for niche market.

In general, for non-formal export, cashew nuts consolidators/Traders also play the role as exporters as they collect cashew nuts from producers and supply the un processed cashew nuts that they collected to buyers in Vietnam and in Thailand (see section 1.2.5 above for detail) where Cambodian cashew nuts are processed, packed and exported as Vietnamese and Thai cashew nuts. Most of Cambodian cashew nuts are export through this non-formal export channel.

1.2.8). Other stakeholders

Concerning cashew sub-sector, the following other stakeholders intervene directly and/or indirectly:

International development partners and NGOs:

- Provide technical support to farmers on cashew production
- Provide technical and facilitation support for establishment of ACs and AC capacity building
- Facilitate market linkages and diverse support to VC actors

Ministry of Agriculture, Forestry and Fishery (MAFF):

- At national level: develop and implement of policy, strategy and regulation on Seed/Seedling, use and commercialization of agro-inputs, agricultural extension, AC, ...

- At provincial level: provide agricultural extension service (but still very militated on cashew production); direct implementation of regulation on agro-inputs, AC law as well as provision of technical and facilitation support for establishment and capacity building of ACs
- Agricultural university, school: human resources development through student training and conducting research.

Ministry of Commerce (MoC): development of strategy, policy, and regulation aiming at facilitating the commercialization and trading of agri-products.

Financial Institutions (Micro Finance Institutions, Commercial Banks): provide loan and facilitate payment transaction between VC actors.

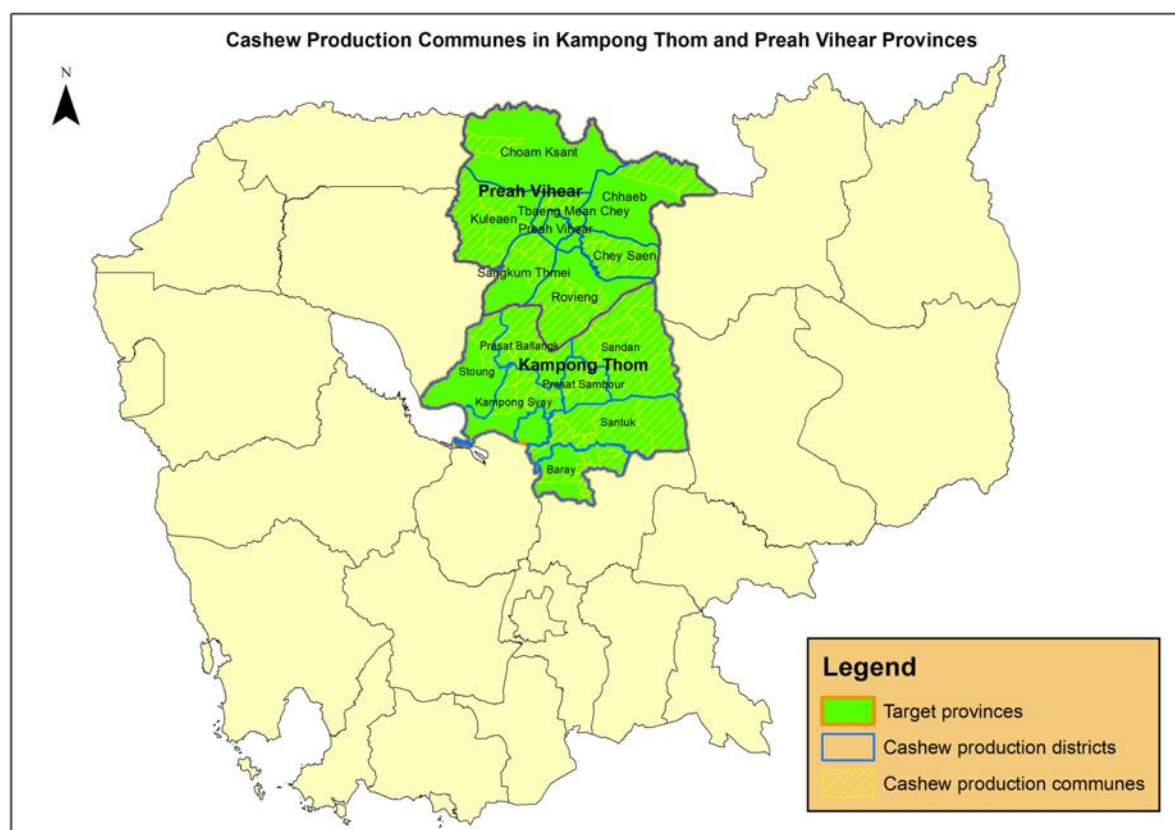
Certification bodies: such as CERES, EcoCert, Control Union, COrAA, provide inspection and certification services to producers, AC and export companies, mainly on organic and food safety standards

Laboratories: food safety testing; standards audit (mainly international certified laboratories, based in VN, Thailand and in other direct import countries)

2. Information on cashew production in Cambodia

2.1). Production locations

The map below indicates production location in the two target provinces at commune level in the cashew production districts:



The names of cashew production communes and districts are shown in the production data table in section 2.2 below.

2.2). Production volumes and potential volumes and trend

Cashew production by communes in Kampong Thom province in 2016-2017

District	Commune	Cultivated area (ha)	Harvested Area (ha)	Yields (T/ha)	Production volume (T)
Santuk	Boeung Lvea	3,427	1,523	1.95	2,970
	Chreab	20	17	1.52	26
	Kompong Thmar	28	5	1.64	8
	KorKoh	653	368	1.65	607
	Koryar	2,640	741	1.45	1,074
	Prasat	41	18	1.62	29
	Tang Krosang	75	35	1.60	56
	Tipor	1,936	832	1.45	1,206
	Tbong Kroper	52	43	1.65	71
	Sub total	8,872	3,582	1.69	6,050

Prasat Sambo	Chhouk	1,200	1,050		
	Kol	2,700	1,300		
	Sambo	2,900	2,450		
	Srerng	2,100	1,500		
	Tang Krosao	900	800		
	Sub total	9,800	7,100		
Baray	Bak Sna	150	75		
	Bak Lang	7	7		
	Chro Nang	23	17		
	Chhouk Khsach	15	0		
	Kokir Thom	317	204		
	Kro Var	126	58		
	Andong Por	53	34		
	Svay Plerng	25	12		
	Treal	20	20		
	Sub Total	736	427		
Sandan	Cher Teal	923			
	Dong Kambet	823			
	Khlaeng	806			
	Mean Rith	1,106			
	Mean Chey	857			
	Ngon	845			
	Sandan	989			
	Sochet	828			
	Tum Rinh	826			
	Sub Total	8,003			
Prasat Bak Lang	Dong	35	35		
	Kro Yoar	1,496	1,300		
	Phan Nherm	591	500		
	Sakream	1,241	1,100		
	Sala Visai	2,415	2,200		
	Samaki	494	477		
	Tuol Krerl	1,525	1,420		
	Sub Total	7,797	7,032		
Kompong Svay	Chey	650	600		
	Domrey Slab	40	40		

	Kompong Svay	1,240	1,040		
	Nipech	450	230		
	San Kor	15	15		
	Tbeng	1,130	930		
	Tropeang Reusey	1,770	1,350		
	Sub Total	5,295	4,205		
Stong	PoPok	290			
	Trea	25			
	Sub Total	315			
Total		40,818	22,346		

Source: PDAFF of KgT province, 2019

Cashew production by district in Kampong Thom province in 2017

District	Cultivated Area (ha)	Harvested Area (ha)	Yield (kg/ha)	Production volume (Kg)
Baray	736	427	1,000	427,000
Sandan	8,003	3,200	1,500	4,800,000
Santuk	8,872	3,582	1,500	5,373,000
Prasat Balang	7,797	7,032	1,000	7,032,000
Stong	845	530	1,000	530,000
Prasat Sambo	9,800	7,100	900	6,390,000
Kompong Svay	5,295	4,205	800	3,364,000
Stoeung Sen	0	0	0	0

Source: PDAFF of KgT province, 2019

Cashew production by district in Kampong Thom province in 2018

District	Cultivated Area (ha)	Harvested Area (ha)	Yield (Kg/ha)	Production volume (Kg)
Baray	1,250	840	1,200	1,008,000
Sandan	12,200	6,300	1,500	9,450,000
Santuk	11,305	7,400	1,500	11,100,000

Prasat Baklang	9,500	8,032	1,000	8,032,000
Stong	2,600	850	1,000	850,000
Prasat Sambo	11,500	7,100	900	6,390,000
Kompong Svay	8,295	6,205	800	4,964,000
Land Concession	1,503	456	1,150	524,354
Total	58,153	37,183	1,131	42,318,354

Source: PDAFF of KgT province, 2019

Cashew production by land concession in Kampong Thom province in 2017

No.	Land Concession	Cultivation area (ha)	Harvested area (ha)
1	Kol Veasna	922.52	184.23
2	Sambath Platinum	78.73	65.73
3	Nuk Pheap Sophy	13.00	0.00
4	Golden Farming	179.88	0.00
5	Cambodia Farming	59.00	0.00
6	Arn Sophy	44.28	0.00
7	Por Khuoch	206.00	206.00
Total		1,503	455.96

Source: PDAFF of KgT province, 2019

Cashew production by district in Preah Vihear province in 2019

No.	District	Cultivated Area (ha)
1	Chey Sen	1,200
2	Chaeb	245
3	Cheam Khsan	793
4	Kulen	862
5	<u>Roveing</u>	644
6	Songkum Thmei	3,208
7	Tbeng Mean Chey	1,010
8	Preah Vihear	1,490
	Total	<u>9,452</u>

Production trend

In term of production trend, based on cashew data provided by the Department of Industrial Crops of MAFF, we found that cashew production in the two target provinces as well at national level, has significantly increased during the last 3 years. At national level:

- Production area: increased from 97,614 ha in 2016 to 203,808 ha in 2018
- Production volume: increased from 104,435 MT in 2016 to 191,922 MT in 2018

The detail cashew production data by province and at national level is presented [in annex 2](#)

Cashew production by ACs in Preah Vihear province in 2019

No.	Production description	Names of ACs							Sub-total
		Oh Khlaeng Por Mean Chey	Mrech Sroyong Koh Kei	Rumtum Samaki	Lerk Kompos Satrey	Reaksmey Lerk Kompos Kasekor	Kiri Rothanak Samaki	Romony Samaki	
1	<u>M23 Variety (Harvested)</u>								
	Planted Area (ha)	107	227	67	25	113.6	0.5	74	614.10
	Yield (T/ha)	1.05	1.05	0.57	1.25	1.05	1.05	1	
	Production volume (MT)	112	238.35	37.96	31.25	119.28	0.53	74	613.37
2	<u>Khmer Variety (Harvested)</u>								
	Planted Area (ha)	95.5	0	82.5	367	237	405	10	1,197.00
	Yield (T/ha)	1.03		1.09	1.18	1.03	1.03	1.03	
	Production volume (MT)	98	0	89.66	431.72	244.11	417.15	10.3	1,290.94
3	<u>M23 Variety (Not yet harvested)</u>								
	Planted Area (ha)	20	189.3	96.67	35	86	3.5	82	512.47
4	<u>Khmer Variety (Not yet harvested)</u>								
	Planted area (ha)	0	0	70	0	52.7	365.5	0	488.2
Total Harvested Area		202.50	227.00	149.50	392.00	350.60	405.50	84.00	<u>1,811.10</u>
Total production volume (MT)		210.00	238.35	127.62	462.97	363.39	417.68	84.30	<u>1,904.31</u>
Total Cultivated Area (ha)		222.50	416.30	316.17	427.00	489.30	774.50	166.00	<u>2,811.77</u>

Cashew country production by province in 2018

No.	Province	Cashew Nut			
		Cultivated Area (ha)	Harvested Area (ha)	Yield (T/ha)	Production volume (MT)
1	Banteay Meanchey	810.000	680.000	2.000	1,360.000
2	Battambang	1,619.000	955.052	2.959	2,826.000
3	Kompong Cham	24,364.000	15,338.000	1.769	27,125.450
4	Kompong Chhnang	1,966.000	1,406.000	3.067	4,312.000
5	Kompong Speu	656.000	495.000	4.188	2,073.000
6	Kompong Thom	58,624.000	26,079.000	1.533	39,991.000
7	Kompot	919.000	782.000	2.174	1,700.000
8	Kandal	0.000	0.000	0.000	0.000
9	Koh Kong	105.000	105.000	0.470	49.350
10	Kratie	27,761.000	19,490.000	2.100	40,929.000
11	Mondulkiri	5,676.000	2,978.000	0.840	2,501.000
12	Phnom Penh	0.000	0.000	0.000	0.000
13	Preah Vihea	19,709.000	7,889.000	2.600	20,511.000
14	Prey Veng	287.480	284.750	1.155	328.900
15	Pursat	0.000	0.000	0.000	0.000
16	Ratanakiri	30,459.000	20,986.000	0.539	11,305.540
17	Siem Reap	4,962.000	3,835.000	1.934	7,415.000
18	Sihanouk Ville	534.000	387.000	2.000	774.000
19	Stoeung Treng	6,780.000	4,381.000	1.900	8,323.900
20	Svay Rieng	422.000	295.000	6.278	1,852.000
21	Takeo	112.470	85.000	1.000	85.000
22	Ouddor Meanchey	8,949.000	2,751.000	2.492	6,856.000
23	Kep	11.000	11.000	1.130	12.430
24	Pailin	275.000	200.000	1.130	226.000
25	Tbong Khmom	8,807.000	6,899.000	1.647	11,365.000
Total		203,807.950	116,311.802	1.650	191,921.570

3. Information on existing government, strategy, policies and incentives

The existing national policy, strategy and legal framework is in general supportive for the development of agriculture sector, including cashew sub-sector. However, so far there is no national policy and development strategy specifically for cashew sub-sector under the agriculture sector. To date, the existing policy and regulatory framework related to agriculture sector are the following:

3.1). Policy framework at National level:

3.1.1). Rectangular Strategy Phase III (RS-III)

Promotion of Agriculture Sector is defined as the strategic Rectangle I amongst the four as Cambodia's agriculture continues to play an important role in supporting economic growth, ensuring equity, securing food security, and promoting development of the rural economy. The Royal Government's vision is to modernize Cambodia's agriculture, based on a new approach and with changed scope and pace, to transform this sector from extensive stage of development into an intensive stage of development that primarily depends on the application of techniques, new technologies, R&D, mechanization and increased capacity of irrigation to improve productivity, and diversify into high value crops and other agricultural products including livestock farming and aquaculture while taking into account the need to ensure efficient management of land and sustainability of environment and natural resources.

The four sides of the Rectangle I are the following:

Side 1: Improved Productivity, Diversification and Commercialization: this strategy is supportive for cashew sector as cashew nuts productivity improvement is needed to increase competitiveness while diversification is a good strategy for coping with market access problem and for sustainable production. Commercialization is essential for cashew farmer to generate cash income and as well as for all other actors in the value chain in implementing their business

Side 2: Promotion of Livestock Farming and Aquaculture: this strategy is supportive for cashew sector as livestock and aquaculture can be well integrated with cashew production to be a sustainable farming system: animal and aqua-product waste is necessary to use as natural fertilizer for cashew production. Besides, economic return from livestock farming and aquaculture can be used to invest in cashew production and commercialization and vice versa.

Side 3: Land Reform and Clearance of Mines and UXO: this strategy is supportive for cashew sector in a sense that land reform can provide more security on land ownership to cashew producers so that they have less reluctance in vesting on their land. Besides, clearance of

mines and UXO will allow cashew producers to have more access to land for cashew production.

Side 4: Sustainable Management of Natural Resources: The strategic objective of the Royal Government of the Fourth Legislature focused on the management and conservation of forest and fisheries resources. To some extent, this strategy is in contrast with cashew sector development as to grow cashew farmer need to expend cultivated area, thus clear some forest land.

3.1.2). National Strategic Development Plan (NSDP), 2014-2018

The NSDP has set the following 6 key policy priorities and actions for 2014-2018:

1). Good Governance: The Core of the Rectangular Strategy: Fighting Corruption; Legal and Judicial Reforms; Public Administration Reform; and Reform of Armed Forces

2). Overarching Environment for the Implementing the Strategy: Peace, Political Stability, and Social Order; Favorable Macro-economic and Financial Condition and Environmental Sustainability; Partnership in Development; Deepening Cambodia's Integration into the Region and the World.

3). Promotion of Agricultural Sector: Improved Productivity, Diversification and Commercialization; Promotion of Livestock Farming and Aquaculture; Land Reform and Clearance of Mines and UXO; Sustainable Management of Natural Resources.

4). The Development of Physical Infrastructure: Development of Transport and Urban Infrastructure; Water Resources and Irrigation System Management; Electricity Power Development; Development of Information and Communication Technology.

5). Private Sector Development and Employment: Strengthening Private Sector and Promoting Investment and Business; Development of Industry and Small and Medium Enterprises; Development of Labor Market; Development of Labor Market

6). Capacity Building and Human Resource Development: Strengthening and Enhancing Education, Science and Technology and Technical Training; Promotion of Health and Nutrition; Development of Social Protection System; Enhancing Implementation of Population Policy and Gender Equity,

A side from the 3rd key policy priority and action which is more or less directly supportive and promotional for cashew sector, the 5 remaining key policy priorities and actions provide a very good overall enabling environment consisting of good governance, organization, infrastructure, socio-cultural, human resource development and policy element.

3.2). Policy framework at Sectoral level

3.2.1). Agriculture Strategic Development Plan (ASDP) 2014-2018

The overall goal of the policy for agricultural development is to “Increase agricultural growth to around 5% per annum through enhancement of the agricultural productivity, diversification and commercialization and livestock and aquaculture farming by taking into account the consideration of sustainable forestry and fisheries resource management” To achieve this overall policy goal as well as contributing to achievement of the objectives of the NSDP, 2014-2018, the Ministry of Agriculture, Forestry and Fisheries defined four **"Basic Pillars"** for the development of the agricultural sector as follows:

- Pillar 1: Enhancement of the agricultural productivity, diversification and commercialization;
- Pillar 2: Promotion of livestock and aquaculture;
- Pillar 3: Sustainable Fisheries and Forestry Resources Management
- Pillar 4: Strengthening the institutional capacity and increasing efficient supporting services and human resource development.

Pillars 1 to 3 are the fundamental activities for accelerating agricultural growth. Their relations to cashew sub-sector are explained in section 4.1.1 A above. On the other hand, the Pillar 4 supports the first three Pillars by strengthening agricultural institutions, and human resources in the agriculture sector. To implement these four Basic Pillars, the Ministry of Agriculture, Forestry and Fisheries formulated five priority programs which incorporate the Public Financial Reform Program of the RGC under Programme 5. The programmes will be financed through a budget that combines domestic financial resources with the contributions of development partners. The 5 priority programs are as follows:

Programme 1: Enhancement of Agricultural Productivity, Diversification and Commercialization: this programme aims at increasing the growth of all kind of crops production by 10% per annum through enhancing agricultural research and extension aiming to increase crop yield, improve the product quality, strengthening capacity of agricultural cooperatives in connection with contract farming system and improving sustainable agricultural land management and utilization.

Programme 2: Promote Animal Production and Animal Health: this programme aims at increasing the growth rate of animal production by 3% per annum through enhancing effectiveness of research and extension; improving capacity of animal disease and zoonosis prevention, thereby ensuring the supply of animal and meat with sanitation and safety, and increasing export potential.

Programme 3: Sustainable Fisheries Resources Management: this programme aims at increasing the fisheries resources protection and conservation efforts by effective law enforcement, eliminating all types of illegal fishing activities, strengthening fisheries

management capacity for 100 Fisheries' Communities annually and promoting the aquaculture development by 15% per annum for ensuring the sustainable fisheries resources and to improve the quality and safety of fishery products for domestic uses and export”.

Programme 4: Sustainable Forestry & Wildlife Resource Management: this programme aims at strengthening the sustainable management of forestry and wildlife through law enforcement, promoting reforestation at least 25,000 ha per year; create the protected forest and wildlife conservation with 50,000 ha/year; and establish 32 forestry communities per annum”.

Programme 5: Strengthening Institutional Capacity, enhancing efficiency of supporting services and Human Resource Development: this programme aims at increasing the effectiveness of institutional management, service delivery, and strengthen the capacity for agricultural education and training for the sustainable agricultural development.

3.3). Policy framework at sub-sectoral level:

3.3.1). Agricultural Extension Policy, adopted in 2015

Vision: The vision of the Agricultural Extension Policy in Cambodia is to increase the effectiveness of agricultural extension services delivery to improve the livelihoods and well-being of the Cambodian people.

Policy Goal: All Cambodian farmers and farming communities will access and adopt improved agricultural knowledge, information, and technologies to enhance agricultural productivity, diversification, commercialization, and sustainable natural resources management.

Objectives: Efforts toward meeting the following objectives will contribute to achieving the vision and goal of the Agricultural Extension Policy. Broad objectives are:

- To improve effectiveness of agricultural extension institutions and systems at all levels for effective operation, cooperation, and coordination, and strengthen linkages among all the stakeholders.
- To improve human resource capacity and capability in delivering extension services in response to local needs and market demand.
- To research and develop appropriate technologies and make them available, accessible, and applicable to farmers.
- To develop extension materials and promote effective access to and use of agricultural knowledge, information, and technologies.
- To effectively deliver extension services to improve decision making among farmers and farming communities for increasing agricultural productivity, diversification, commercialization, and income generation.

Strategies

The following strategies are envisioned to achieve the agricultural extension strategic goal and objectives:

- 1) Demand-driven Agricultural Extension
- 2) Institutionalization, Regulations, and Partnerships
- 3) Strengthening Agricultural Education Institutions
- 4) Technology Development, Packaging, and Learning
- 5) Agricultural Extension Approaches and Methods
- 6) Mainstreaming Cross-cutting Issues in Agricultural Extension Services
- 7) Sustainable Financing of Agricultural Extension Services

The above vision, goal, objectives and strategies of the Agricultural Extension Policy, are more or less directly supportive and promotional for cashew sub-sector within agriculture sector. Besides, this policy provides a very good overall enabling environment consisting of organization, technology development and technical service to farmers, socio-cultural, human resource development and policy element.

3.4). Regulatory framework

To promote the production, commercialization and consumption of safe cashew nuts and fruit, a national Good Agricultural Practices (GAP) standard adapted from ASEAN's GAP was developed by GDA and approved by MAFF through Ministerial Proclamation No. 099-MAFF dated 10 March 2010. The national GAP brand name (CamGAP) and the Logo was officially approved by MAFF in February 2016. However, GAP implementation is still weak due to lack of training and controlling the standard compliance. Up to end of 2017, yet no farmer is inspected and certified as cashew GAP producer. A national law on organic agriculture is under preparation, yet there is no national board formed for providing accreditation to organic inspection and certification body. However, some Cambodian organic agricultural products were inspected and certified by international certification bodies such as Bioagricert, Control Union, Ecocert, ... for export to markets in developed countries particularly EU, US and Japan.

Other existing regulatory frameworks that also concern cashew sub-sector are the following:

- Law on Agricultural Cooperatives (2013)
- Law on Pesticide and Chemical Fertilizer Control (2012)
- Law on Seed Management and Plant Breeder's Rights (2008)

3.5). Incentive schemes provided by the government

Tax free: Agriculture land use, farmer's agriculture income, Agricultural Cooperative business earning

Tariff free (custom duty): for imports of fertilizers and imports of agriculture machinery for Qualified Investment Project (QIP) incentives. QIP incentives include investment in vegetable production of larger than 50 hectares.

Even through the existing of the above-mentioned policy and regulatory framework but for policy implementation side, very limited effectiveness due to:

- Weak management capacity and insufficient resources (financial and human) largely contribute to this limited effectiveness of implementation.
- Compared with its neighboring countries, in Cambodia state's supports or subsidies for cashew sub-sector concerning extension services, price supports, market or industry linkages, irrigation and agriculture inputs (such as fertilizers), credit, income and crop insurance for farmers, and investment in agricultural science and technologies are very limited or even absent.

3.6). Cambodia Trade Integration Strategy (CTIS) 2019-2023

the Ministry of Commerce undertook the formulation of its fourth- generation trade strategy called the Cambodia Trade Integration Strategy (CTIS) 2019-2023, covering the sixth mandate of the Royal Government of Cambodia. This fourth iteration uses, as underlying foundations, the Rectangular Strategy Phase IV, the Industrial Development Policy 2015-2025 encapsulating Cambodia Vision 2030 and 2050, WTO Trade Policy Review 2017, Sustainable Development Goals (SDG) among others. Within CTIS, Cashew nuts are included amongst Cambodian fruits and vegetables sectors that are classified as Cambodian products that offer significant opportunities to grow and add value.